

Canadian County Rural Water, Sewer, and
Solid Waste Management District #1
Canadian County, Oklahoma
Financial Statements
December 31, 2022

Canadian County Rural Water, Sewer, and
Solid Waste Management District #1, Oklahoma

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**Unmodified Report on Financial Statements Issued in Accordance with *Government Auditing Standards*
or in a Single Audit**

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Canadian County Rural Water, Sewer, and Solid Waste Management District #1, Oklahoma

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Canadian County Rural Water, Sewer, and Solid Waste Management District #1, Oklahoma as of and for the year ended December 31, 2022, and the related notes to the financial statements, which collectively comprise the Canadian County Rural Water, Sewer, and Solid Waste Management District #1, Oklahoma's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Canadian County Rural Water, Sewer, and Solid Waste Management District #1, Oklahoma, as of December 31, 2022, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Canadian County Rural Water, Sewer, and Solid Waste Management District #1, Oklahoma and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Canadian County Rural Water, Sewer, and Solid Waste Management District #1, Oklahoma's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion,

forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Canadian County Rural Water, Sewer, and Solid Waste Management District #1, Oklahoma's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Canadian County Rural Water, Sewer, and Solid Waste Management District #1, Oklahoma's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Management has omitted this information. Our opinion on the basic financial statements is not affected by this missing information.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 15, 2023, on our consideration of the Canadian County Rural Water, Sewer, and Solid Waste Management District #1, Oklahoma's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Canadian County Rural Water, Sewer, and Solid Waste Management District #1, Oklahoma's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Canadian County Rural Water, Sewer, and Solid Waste Management District #1, Oklahoma's internal control over financial reporting and compliance.


Oklahoma City, Oklahoma
June 15, 2023

Canadian County Rural Water, Sewer, and Solid Waste Management District #1
Canadian County, Oklahoma
Statement of Net Position
December 31, 2022

Current Assets	
Cash	\$ 304,652
Accounts Receivable net of Allowance	22,264
Water Line Relocation Receivable	-
Total Current Assets	<u>326,916</u>
 Investments	
Investments, Unrestricted	-
Total Investments	<u>-</u>
 Property, Plant, and Equipment	
Water Wells	11,792
Accumulated Depreciation	(11,792)
Buildings	825,455
Accumulated Depreciation	(560,631)
Machinery and Equipment	285,535
Accumulated Depreciation	(137,394)
Distribution System	595,142
Accumulated Depreciation	(523,287)
Water Treatment Plant	25,750
Easements	5,000
Right of Way	1,000
Accumulated Amortization	(1,000)
Net Property, Plant, and Equipment	<u>515,570</u>
 Total Assets	 <u>842,485</u>
 Deferred Outflows of Resources	
Total Deferred Outflows	<u>-</u>
 Current Liabilities	
Current Portion Long Term Debt	12,460
Accounts Payable	20,918
Meter Deposits	-
Accrued payroll taxes	2,246
Interest payable	-
Total Current Liabilities	<u>35,623</u>
 Long Term Debt	 <u>-</u>
Total Liabilities	<u>35,623</u>
 Deferred Inflows of Resources	
Total Deferred Inflows of Resources	<u>-</u>
Net Position	
Net Investment in Capital Assets	503,110
Unrestricted	<u>303,752</u>
 Total Net Position	 <u>\$ 806,862</u>

See independent auditor's report and notes

Canadian County Rural Water, Sewer, and Solid Waste Management District #1
Canadian County, Oklahoma
Statement of Revenues, Expenses, and Changes in Net Position
for the year ended December 31, 2022

Operating Revenues	
Gross Water Sales	\$ 304,931
Repair and Local Income	1,095
Interest Income	<u>1,849</u>
Total Operating Revenues	<u>307,875</u>
Operating Expenses	
Personnel	26,062
Bad debts	2,650
Depreciation and amortization	16,857
Utilities	35,624
Installations, repair, & maintenance	183,829
Cost of water	13,773
Office supplies	4,133
Miscellaneous	4,637
Accounting	4,100
Interest expense	1,573
DEQ Testing	3,714
Insurance	<u>8,760</u>
Total Operating Expenses	<u>305,711</u>
Operating Income (Loss)	<u>2,164</u>
Nonoperating Revenues (Expenses)	
Other Income	1,037
Other Expenses	<u>-</u>
Net Nonoperating Revenues (Expenses)	<u>1,037</u>
Change in Net Position	
Membership	3,201
Net Position, Beginning	<u>25,600</u>
Net Position, Ending	<u><u>\$ 806,862</u></u>

See independent auditor's report and notes

Canadian County Rural Water, Sewer, and Solid Waste Management District #1
Canadian County, Oklahoma
Statement of Changes in Net Position
for the year ended December 31, 2022

	Net Position	Total Net Position
Balance, Beginning	\$ 778,061	\$ 778,061
Memberships	25,600	25,600
Change in Net Position	3,201	3,201
Balance, Ending	\$ 806,862	\$ 806,862

See independent auditor's report and notes

Canadian County Rural Water, Sewer, and Solid Waste Management District #1
Canadian County, Oklahoma
Statement of Cash Flows
for the year ended December 31, 2022

Cash flows from operating activities	
Water Sales	\$ 305,654
Repairs and local income	1,095
Suppliers and Employees	<u>(280,737)</u>
Net cash provided by (used in) operating activities	<u>26,013</u>
Cash flows from noncapital financing activities	
Other expenses	-
Cash paid for equipment	<u>(57,682)</u>
Net cash provided by (used in) noncapital financing activities	<u>(57,682)</u>
Cash flows from capital and related financing activities	
Memberships	25,600
Interest paid on debt	(1,573)
Principal Payments on Long Term Debt	<u>(40,427)</u>
Net cash used in capital and related financing activities	<u>(16,400)</u>
Cash flows from investing activities	
Interest income	1,849
Other income	1,037
(Purchase) sale of investments	-
Net cash provided by (used in) activities	<u>2,886</u>
Net change in cash and cash equivalents	(45,183)
Cash and cash equivalents, beginning	<u>349,835</u>
Cash and cash equivalents, ending	<u>\$ 304,652</u>

**Reconciliation of Cash Flows from Operating Activities
to Operating Income (Loss)**

Cash flows from operating activities	
Operating income (loss)	\$ 3,201
Adjustments to reconcile operating income (loss) to net cash from operating activities:	
Interest income	(1,849)
Other income	(1,037)
Depreciation Expense	16,857
Interest expense	1,573
Changes in assets and liabilities:	
(increase) decrease in accounts receivable	723
increase (decrease) in accounts payable	6,442
increase (decrease) in accrued payroll taxes	102
increase (decrease) in accrued interest expense	-
Net cash provided by (used in) operating activities	<u>\$ 26,013</u>
Non cash activities	\$ -

See independent auditor's report and notes

Canadian County Rural Water, Sewer, and
Solid Waste Management District #1
Canadian County, Oklahoma
Notes to Financial Statements

1. Organization and Nature of Operations and Summary of Significant Accounting Policies

Canadian County Rural Water, Sewer, and Solid Waste Management District #1, Canadian County, Oklahoma (District) was organized February 1, 1974 to serve the water and waste management needs of the residents of its southwest Canadian County service area. The District currently provides rural water service. It does not provide a waste management service.

The financial statements are prepared on the accrual basis of accounting, which recognizes revenue when earned and expense are recorded when a liability is incurred, regardless of the timing of related cash flows. Revenue earned but not received is shown as a receivable. Expense incurred but not paid is shown as a payable.

Operating revenues, such as charges for services, result from exchange transactions with the principal activity of the District. Exchange transactions are those in which each party receives and gives up essentially equal values. Operating expenses include the cost of sales/services, administration and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Non-exchange transactions, in which the District gives (or receives) value without directly receiving (or giving) equal value in exchange, include grants and donations. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The District's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

Accounts receivable are shown net of an allowance for un-collectibles.

Investments are stated at fair value within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. Cash and certificates of deposit are authorized investments. Cash and certificates of deposit are reported at carrying amounts, which reasonably approximates fair value.

Property, plant, and equipment are recorded at cost and depreciated. Depreciation is computed by the straight line method over the estimated useful lives. Assets lives are estimated to be between five and forty years. Loan application costs are amortized over a period of 28.8 years. If the cost of an improvement is material it is capitalized. The District has no written policy for capitalization. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Canadian County Rural Water, Sewer, and
Solid Waste Management District #1
Canadian County, Oklahoma
Notes to Financial Statements

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets, if any, is included as part of the capitalized value of the assets constructed.

The statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to future periods and so will not be recognized as an outflow of resources until then.

The statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to future periods and so will not be recognized as an inflow of resources until that time.

Restricted net position is reported when externally imposed constraints are placed on the use of the resources by grantors, contributors, or laws or regulations of other governments. Net investment in capital assets is equal to net property, plant, equipment, and deposits. Temporarily restricted net position is restricted by the board of directors and will be used first for expenditures.

2. Investments

The following details the investment fair value categorized within the fair value hierarchy established by generally accepted accounting principles.

	Level 1	Level 2	Level 3	Total
All Nations Bank CD	\$ -			\$ -
	\$ -			\$ -

The District's cash and investment accounts are insured by the Federal Depositors Insurance Corporation to \$250,000.

Canadian County Rural Water, Sewer, and
Solid Waste Management District #1
Canadian County, Oklahoma
Notes to Financial Statements

3. Capital Assets

	Beginning			Ending
	Balance	Increases	Decreases	Balance
Water wells	\$ 11,792			\$ 11,792
Buildings	825,455	-		825,455
Machinery and equipment	247,852	37,682		285,534
Distribution system	595,142			595,142
Water treatment plant	5,750	20,000		25,750
Easements	5,000			5,000
right of way	1,000			1,000
	<u>1,691,991</u>	<u>57,682</u>		<u>1,749,673</u>
Accumulated depreciation and amortization				
Water wells	(11,792)			(11,792)
Buildings	(560,631)	-		(560,631)
Machinery and equipment	(137,394)	-		(137,394)
Distribution system	(506,430)	(16,857)		(523,287)
Easements				-
Right of way	(1,000)	-		(1,000)
	<u>(1,217,247)</u>	<u>(16,857)</u>		<u>(1,234,104)</u>
Net capital assets	\$ 474,744	\$ 40,825	\$ -	\$ 515,569

Canadian County Rural Water, Sewer, and
Solid Waste Management District #1
Canadian County, Oklahoma
Notes to Financial Statements

4. Long Term Debt

The following schedules the long term debt:

	Farmers Home	
	Administration	BancFirst
BancFirst Note, monthly installments of \$3,500 including interest at 4.500%. Final payment of \$2,070 is due April 16, 2023. Secured by assets of the District.	\$ -	\$ 12,460
Farmers Home Administration Note, due in monthly installments of \$992 including interest at 5%. Note dated June 7, 1983. Final payment due forty years from inception. Secured by assets of the District.	-	-
Total long term debt	-	12,460
Less current portion	-	(12,460)
Non-current portion	\$ -	\$ -
Principle maturities for the next five years		
2023	\$ -	\$ -
2024	-	-
2025	-	-
2026	-	-
2027	-	-
thereafter	-	-
Total long term debt	\$ -	\$ -

5. Subsequent Events

Management has evaluated subsequent events through June 15, 2023, which is the date the financial statements were available to be issued and has determined that no additional information needs to be added to the financial statements.

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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Board of Directors
Canadian County Rural Water, Sewer, and Solid Waste Management District #1, Oklahoma

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Canadian County Rural Water, Sewer, and Solid Waste Management District #1, Oklahoma, as of and for the year ended December 31, 2022, and the related notes to the financial statements, which collectively comprise Canadian County Rural Water, Sewer, and Solid Waste Management District #1, Oklahoma's basic financial statements, and have issued our report thereon dated June 15, 2023.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Canadian County Rural Water, Sewer, and Solid Waste Management District #1, Oklahoma's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Canadian County Rural Water, Sewer, and Solid Waste Management District #1, Oklahoma's internal control. Accordingly, we do not express an opinion on the effectiveness of Canadian County Rural Water, Sewer, and Solid Waste Management District #1, Oklahoma's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements, on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Canadian County Rural Water, Sewer, and Solid Waste Management District #1, Oklahoma's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Michael Mettry

Oklahoma City, Oklahoma
June 15, 2023

Canadian County Rural Water, Sewer, and
Solid Waste Management District #1
Canadian County, Oklahoma
Findings and Questioned Cost
December 31, 2022

FINDINGS AND QUESTIONED COST

There were no findings or questioned cost.